

**"Protecting Content in a Digital Age –  
Promoting Broadband and the Digital Television Transition"**

**Written Statement of  
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On Behalf of Thomson multimedia**

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U.S. Senate Committee on Commerce, Science, and Transportation  
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Thank you, Chairman Hollings, Senator McCain, and members of the Committee for the opportunity to bring the views of my company to this hearing.

My name is Jim Meyer, most recently Senior Executive Vice President and Chief Operating Officer and currently special adviser to the Chairman of Thomson multimedia. I have over 25 years of experience in the consumer electronics industry, and I'm here today to share the views of one of America's largest entertainment industry employers. I believe that I also can speak fairly for the millions of consumers who purchase RCA brand home entertainment products each year and call us if there is a problem.

I commend you, Mr. Chairman, for holding this hearing and for the continued leadership that you, Senator McCain and other Members of the Committee have demonstrated over the past decade in attempting to guide and accelerate our nation's transition to digital television. The subject of today's hearing, the protection of copyrighted video programming formatted digitally and electronically transmitted by broadcast, satellite, cable or over the Internet, involves numerous difficult technical and business issues. I would suggest, however, that the public policy issues are relatively few and straightforward.

First, there needs to be agreement on digital copy protection standards if the conversion to digital television is to move forward more rapidly.

Second, any such agreement must embody one fundamental principle: it must protect both the interests of digital content owners and providers and consumers. Copy protection must be effective, particularly in addressing the core problem of unlawful internet retransmission, but it must permit consumers to continue to make recordings for their personal use within their homes just as they have come to expect in the analog world since the advent of the VCR. Consumers making investments in advanced digital products will not and should not accept reduced functionality in their digital viewing experience.

Third, ideally, agreement should be reached voluntarily among the affected

parties through private negotiations using established standard setting processes. However, if that effort does not succeed within a reasonable period of time, the government must facilitate and, if necessary, mandate the adoption of standards.

## **1. Unresolved Issues Slow The Digital TV Transition**

While digital technology is transforming our industry, the switch to digital transmission and reception of TV signals has been a bumpy ride so far. Fewer than one out of six broadcasters is now sending a digital TV signal. We are hopeful that by May 1, 2002, an additional 400 to 500 broadcasters will be transmitting digitally. While consumers have purchased more than two million HDTV monitors and sets, the reality is that this transition has only just begun.

Content owners have yet to release truly compelling digital high-definition movies, sports, and shows. Their reasoning is simple – they want more protection from illicit Internet redistribution of digital content.

Obviously, if we're going to have an orderly transition, there needs to be agreement about what we're trying to protect and how. Thomson prefers private agreements that insure full functionality in a Personal Home Network, and protection of digital content from widespread piracy.

To that end, Thomson is developing a new technology called SmartRight. Designed to work with a simple "smart card," the SmartRight system would permit a consumer to view, record, and store digital content for his own use within what is called a personal private network. The system would work for broadcasters, for cable and satellite operators, and could even be extended to computing platforms. SmartRight is a good example of a technology that is reliable, renewable, modular, and easily applied to a variety of situations.

Beginning this year, Thomson is also building copy protected interfaces for cable and satellite programming into its new line of RCA Scenium integrated digital television receivers and in RCA HDTV monitors that will be available to consumers in time for this year's Christmas shopping season.

Another roadblock in the digital TV transition is incompatibility between various cable systems throughout the country. Current cable TV systems are proprietary and closed, making it impossible to develop new digital TV products that could easily be sold anywhere in the U.S. and plug directly into a cable outlet. This is an unfortunate fact that will certainly hinder a speedy digital TV transition.

## **2. Background on Thomson multimedia**

Thomson multimedia is the company behind RCA home entertainment products and the owner of Technicolor, a service provider to the film industry. As the leading manufacturer and marketer of consumer entertainment products,

and as a trusted supplier of DVD and tape replication services to Hollywood, Thomson is well positioned to comment on how best to expand broadband entertainment while preserving both home recording rights and the rights of copyright holders.

One out of five TV sets sold in America comes from Thomson's RCA brand, our professional broadcast division is one of the world's largest, and we are the worldwide leader in DVD and CD-ROM replication serving such diverse customers as RadioShack, Circuit City, Best Buy, Wal-Mart, Fox, Disney, Warner Bros., and hundreds of others. Of course, millions of consumers are also our customers, and we field more than 10,000 calls, e-mails, and letters each day with consumers who need help, need service, or just need some advice.

As one of the largest employers in the entertainment industry, our reach spans these United States, with more than 10,000 employees in 30 different communities. Our biggest concentration of employees live and work near Indianapolis, Indiana and in Senator Boxer's home state of California (near Hollywood) at Technicolor.

So, we have a unique position in both of the content and electronics industries – by helping the creative community reach the public through Technicolor's trusted film and video services, and by designing and selling new RCA home entertainment products that entertain and inform millions of people.

### **3. Consumers Expect Features Like Home Recording**

With my 25 years of experience in the consumer electronics industry, I've lived through several revolutionary changes in our business. I was there when RCA sold the very first VCR that could record four hours on one tape. That business is now very mature, with VCRs themselves selling for under \$75 and both content owners and consumers migrating to the popular DVD platform.

Home recording has become a popular past-time, as people use their VCRs to watch their favorite programs at different times and keep "bookshelf" copies in a collection. Thomson, alone, sold more than 55 million blank VHS tapes last year. While not formally enshrined as a U.S. law, home recording has become a feature that consumers expect to enjoy. They like the convenience. Some record to catch up on favorite programs, others to skip the commercials. But most people aren't using a home VCR to become pirates.

Prerecorded movies and TV shows on tape and disc are coded to prevent copies from being made. Both the VCR and the DVD player recognize standardized copy protection methods for prerecorded content, restricting the average person from making and selling pirated copies.

With today's products, a good balance has been struck between the consumer convenience and popularity of home recording and protecting copyrights. Tomorrow's products are another story. Digital recording makes

perfect digital copies. The situation is compounded by the convergence of the computer with many popular consumer electronics products. Typically, computing devices are not subject to the same restrictions as consumer electronics products. This disparity is the cause of much debate and concern.

Today, Thomson is working on new technologies that will link together digital entertainment products in a Personal Home Network. This is the VCR of the future – the ability to easily record shows and watch them anywhere in your home, at any time. Our customers have been struggling to identify how the "rules of the game" should change as products go digital and perfect copies are possible. Thomson draws the line at the Personal Home Network, allowing consumers to time shift, keep archival copies, move content to various devices, and preserve favorite content as long the consumer wants to. But there are legitimate fears about sending that content outside the home network. These issues are now heating up because of America's transition to digital television.

#### **4. Thomson Leads the Digital TV Transition**

With the transition to digital TV just a few years old, Thomson has already developed a broad array of RCA-brand digital television equipment that spans a wide range of price points – including digital satellite receivers, DVD players, HDTV monitors and HDTV receivers.

Consumers can make the digital transition in a manner that serves their own needs and personal budgets. For most people, it means the addition of a digital satellite receiver or digital video disc player – and maybe an upgrade to an HDTV monitor. Slowly, as the amount of good HDTV programming is increasing, we're also seeing growth in the market for fully-integrated high-definition televisions.

As I mentioned earlier, Thomson supplies digital broadcast equipment to broadcasters, cable networks, satellite broadcasters, local stations, and production companies. And all of them worry about security.

#### **5. More Digital Content and More Digital Products Will Drive the Transition**

It is indisputable that high-value, high-quality content will drive deeper consumer acceptance of digital television. For example, the availability of thousands of movies on DVD has sparked strong sales of high definition TV monitors and sets – as well as discs and players.

Thomson views the digital TV transition holistically – that is, the pieces are interconnected: viewers want content; broadcasters want viewers; and content companies want to sell their content, with assurances that their digital material is secure. For more consumers to embrace digital TV, we believe that two things must happen.

First, high quality and innovative digital content must be created by the content community and distributed in its fullest quality and integrity. This happens with over-the-air terrestrial broadcasts, through the cable and satellite facilities, with pre-recorded media, and someday even over the Internet.

Secondly, for more consumer acceptance of digital TV, companies like Thomson must offer innovative products that let consumers exploit the full benefits of going digital. As your constituents buy new digital gear, they will still want to record favorite shows, pause to take a call during a broadcast, and save episodes or sports events for posterity.

Achieving these two mutually reinforcing – not mutually exclusive -- goals of more HDTV content and more digital products requires certainty for content providers, for consumers, and for manufacturers.

## **6. Copy Protection Standards Provide Assurances for Studios, Network Operators, Manufacturers, and Consumers**

What's missing from the transition is certainty – for everyone. There are holes in the system that could be used to steal content. That worries the Studios. Broadcasters fear they'll be passed over for more secure networks like satellite and cable. Manufacturers move cautiously, because of the huge engineering investments required to make new products. And Consumers may not buy anything, fearing obsolescence.

In more detail:

**Studios** need assurance that their content (their intellectual property) is protected before they make investments in the production and distribution of high quality digital content. They will not have that certainty unless there is genuine and effective protection against commercial piracy and against unauthorized retransmission of digital content – especially over the Internet. Once the necessary copyright protections are in place, we believe that consumers will enjoy a dramatic increase, not decrease, in the availability of compelling, creative works online. This will be good for consumers, and very good for the companies that provide the content.

**Network Operators** like cable, satellite, and terrestrial broadcasters want to offer their services in a secure environment so that they get the best content and interested subscribers.

**Manufacturers** like Thomson need to know that consumers won't be stranded by obscure licensing agreements or heavy-handed control exercised by content owners under the terms of licensing agreements between Cable Labs and consumer electronics manufacturers. Some proposals would allow the owner of the content to prevent recording, or worse, automatically erase programs that consumers have recorded at home. Just because we move to digital delivery doesn't mean that we should run roughshod over law-abiding

consumers.

**Consumers** expect full functionality in new products. They want home entertainment systems to work as advertised, and consumers want to know that common home recording practices enjoyed today will continue. Believe me, nothing will kill the transition to digital television faster than trying to sell digital products that are actually less functional than today's common VCR.

It's clear that some form of copy protection standard setting is necessary. (Some of this work has already been done for cable networks, although HOW that technology is used remains an open question.) Preferably, these standards should be adopted expeditiously by private negotiations among affected industries. If that effort fails, the government must facilitate and, if necessary, mandate their adoption. These standards must, however, focus on the real concerns – such as commercial piracy and illicit retransmission of content over the Internet, and not just new ways for the copyright holders or network operators to charge for consumer convenience.

During the last few months, progress has been made within the Copy Protection Technical Working Group and related groups, bringing together representatives of all industry stakeholders, toward agreement on a number of outstanding copy protection issues, most notably a broadcast flag which could be embedded in the digital bitstream and recognized by a digital television receiver, cable set top box or computer. The heightened Congressional interest in these activities reflected in discussion draft legislation circulated by Chairman Hollings' Commerce Committee staff and the roundtable discussions led by Chairman Tauzin and Upton in the House have clearly accelerated the pace of these discussions. Hopefully, they will conclude swiftly and successfully.

Thomson multimedia remains squarely focused on the needs and desires of our customers. If we can work this out, then everyone will benefit. Studios will sell more content. Network Operators will have more viewers. Manufacturers will sell more products, and Consumers will enjoy a better entertainment experience.

Ultimately, our own government will be able to reclaim the valuable broadcast spectrum now used for analog TV – and reassign it for future communications needs.

Thank you for your interest in these complex but critical issues. I look forward to your questions.